

**Government of the District of Columbia
Office of the Chief Financial Officer**



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Vincent C. Gray
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer

DATE: JUL 10 2007

SUBJECT: Fiscal Impact Statement: "Southeast Water and Sewer Improvement Special Assessment Authorization Act of 2007".

REFERENCE: Draft - No Bill Number Available

Conclusion

Funds are sufficient in the proposed FY 2008 budget and the proposed FY 2008 through 2012 budget and financial plan to implement the provisions of the proposed title.

Background

The legislation creates statutory authority to establish a Special Assessment District (the Southeast Water and Sewer Improvement Benefit Area) in Southeast, which will support the construction of water and sewer infrastructure. In order to provide advance funding from property owners in Southeast or Southwest, DC, the legislation establishes the special assessment district, which is comprised of property benefiting from the proposed infrastructure. This infrastructure, which would otherwise be paid for directly by property owners as individual properties are developed, is now being built as part of a DDOT contract to complete new roads in the area. Completing the infrastructure as part of the road project is intended to save money and prevent future disruption of roads as properties are developed over the next several years.

Beginning with tax year 2008, the legislation would levy a special assessment upon each tax lot located within the Southeast Water and Sewer Improvement Benefit Area that meets certain requirements. Specifically excluded from the special assessment initially are: publicly owned properties; existing residential properties; existing houses of worship; properties that received a building permit approved by WASA between January 1, 2003 and June 1, 2007. The assessment would support a District-issued general obligation or other bond to fund these infrastructure improvements. The bond issuance will support construction costs, issuance costs and related activities. Debt service on the bonds will be paid for through the assessment on property owners in the Special

Assessment District. As such, the debt service would have no effect on the General Fund. However, because the Special Assessment Fund will be set up within the general fund, budget authority will be required to pay debt service on any bonds issued to support these infrastructure improvements.

The OCFO will be largely responsible for implementing the legislation and will incur some costs related to implementation. The Office of Tax and Revenue (OTR) will experience added expenses stemming from additional notification, programming, and billing requirements for implementing the special assessment. OTR will absorb those costs in FY2008.

Financial Plan Impact

Funds are sufficient in the proposed FY 2008 budget and the proposed FY 2008 - FY 2011 budget and financial plan to implement the provisions of the proposed legislation. The legislation creates a revenue source to pay the debt service on the proposed bonds. Additional costs for administering the special assessment will have to be absorbed in OTR's FY2008 budget.¹

¹ The Office of Tax and Revenue is experiencing significant increased programming costs as a result of new tax policies and programs such as this. The overall costs of this and other bills will be considered in the development of future OTR budget proposals. At a minimum, FY 2008 reprogramming costs would be approximately \$175,000. In addition, there would be a \$15,000 cost per year thereafter.